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From: William T Fujioka
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WASHINGTON, D.C. UPDATE ON FARM BILL

Executive Summary

On January 29, 2014, the House adopted, 251 to 166, the conference agreement on a Farm Bill (H.R. 2642), which reauthorizes the Supplemental Nutrition Assistance Program (SNAP), formerly called the Food Stamps Program, through Federal Fiscal Year (FFY) 2018.

The bill reduces net SNAP expenditures by an estimated $8 billion over 10 years, mainly by requiring that states provide a Low Income Home Energy Assistance Program (LIHEAP) payment above $20 dollars a year to a low-income household to trigger a standard utility allowance that increases the household's Federal-funded food assistance. **This change would not affect SNAP expenditures and benefits in California if the State were to increase the LIHEAP payment from the current 10 cents to $20 dollars a year to each SNAP household. California's Federal LIHEAP funding is far more than sufficient to finance this increase, which would avoid cutting food benefits to low-income County residents.**

Supplemental Nutrition Assistance Program (SNAP) Reauthorization

The "Farm Bill" is the legislative vehicle for reauthorizing United States Department of Agriculture (USDA) programs. This includes reauthorization of SNAP, which expired on September 30, 2013, but has continued to operate, using appropriations provided in the FFY 2014 Continuing Resolution and the recently enacted FFY 2014 Omnibus Appropriations Act. The Federal government finances the entire cost of food assistance provided to low-income persons under SNAP, which formerly was called the Food Stamp Program before 2008. On January 27, 2014, conference agreement was reached on a Farm Bill (H.R. 2642), entitled the Agricultural Act of 2014, which reauthorizes SNAP through FFY 2018. As noted above, the House adopted, 251 to 166, the conference agreement on January 29, 2014. The President is expected to sign the Farm Bill into the law after the Senate clears it for his signature.

H.R. 2642 would reduce SNAP expenditures by an estimated $8 billion over 10 years, which is far less than the estimated $40 billion in savings in the previous House version, but more than the $4 billion in savings in the Senate version. The Congressional Budget Office (CBO) estimates that SNAP expenditures would be reduced by an estimated $8.55 billion over 10 years by requiring that states provide a Low Income Home Energy Assistance Program (LIHEAP) payment above $20 dollars a year in order to trigger a standard utility allowance (SUA) that is deducted from a household's income in calculating its SNAP benefits. Other provisions in the bill would slightly increase nutrition expenditures, resulting in the $8 billion in net 10-year savings. As explained in greater detail below, there would not be any reduction in SNAP expenditures in California related to LIHEAP if the State were to increase its LIHEAP payments from the current 10 cents per SNAP/CalFresh household to above $20 dollars a year. The State's annual LIHEAP allocations are far more than sufficient to finance such an increase.

Treatment of LIHEAP Payments

Under current law, a LIHEAP payment of any amount can be used by a state to trigger a standard utility allowance (SUA) that is deducted from a household's income in calculating its SNAP benefits in lieu of requiring documentation of actual utility costs -- an alternative that is administratively burdensome for low-income persons who must submit documentation and for state and local governments which determine SNAP benefits. SNAP households also receive higher SNAP benefits because the SUA typically is higher than their actual utility costs. There are 16 states which currently provide a very small LIHEAP payment to SNAP households, including California which provides a LIHEAP payment of 10 cents a year to each household. The California Department of Social Services estimates that this LIHEAP payment increases SNAP benefits by a monthly average of roughly $62 a month for current SNAP households.

Both the Senate and House bills sought to restrict the practice of making small LIHEAP payments to trigger a SUA and higher Federal-funded SNAP benefits by requiring a LIHEAP payment above $10 dollars a year in the Senate bill and $20 dollars a year in the House bill to trigger a SUA. The conference version adopted the $20 dollars a year threshold for a LIHEAP payment. This change would take effect 30 days after the date of the bill's enactment except that states are given the option to delay its implementation for current households for up to five months after the date of enactment.

The CBO estimates that requiring a LIHEAP payment above $20 dollars a year would result in a $8.55 billion reduction in SNAP expenditures over 10 years. However, there would not be any effect on SNAP expenditures in any state which provides a LIHEAP payment of more than $20 dollars a year to its SNAP households. California's FFY 2014 LIHEAP allocation of approximately $154 million is more than sufficient to provide a $20 dollars a year LIHEAP payment to all of its SNAP households. The State's average monthly number of SNAP households is roughly 2 million.

Rejection of Major SNAP Reductions in House Bill

The conference version did not include the following provisions that were in the prior House version, but not Senate version, which would have significantly reduced SNAP expenditures and/or increased state and local administrative costs:

- Elimination of the current state option for broad-based categorical eligibility, which enables 43 states (including California) to extend SNAP benefits to low-income persons who receive non-cash Temporary Assistance for Needy Families (TANF) benefits without having to separately determine their financial eligibility for SNAP. This option allows many low-income families to receive SNAP benefits who, otherwise, would be ineligible. This is because, unlike SNAP, TANF does not limit eligibility to families with assets under $2,000 -- a very low limit that has not been adjusted for inflation in more than 25 years. Categorical eligibility also reduces administrative costs by simplifying program rules and reducing the number of applicants for whom eligibility must be separately determined;

- Elimination of State waivers of work requirements for abled-bodied adults without dependents ("ABAWDs") between ages 18 and 50 who live in areas with high unemployment, such as Los Angeles County. If these waivers were eliminated, such adults would be limited to no more than three months of SNAP benefits every three years unless they work at least 20 hours per week or participate in a qualifying employment and training program; and

- Providing states with the option to impose work requirements on non-elderly adults and to retain half of the SNAP cost savings that result from the work requirements. Under current law, SNAP benefits are wholly Federal-funded. Providing states with half of the savings from imposing strict work requirements would have provided states with a major financial incentive to use work requirements to cut persons off SNAP.

Other SNAP Provisions in Conference Agreement

The conference agreement includes the following SNAP provisions of County interest:

- Maintains the current $90 million a year in mandatory SNAP Employment and Training (E&T) formula grant funding for states. The House bill would have reduced funding to $79 million a year;

- Provides $200 million to the USDA to fund up to 10 state pilot projects to test innovative strategies for helping SNAP recipients to obtain unsubsidized employment, increase earnings, and reduce their reliance on public assistance;

- Reduces the tolerance level for excluding small payment errors from the calculation of a state's quality error rate from the current $50 to $37 with future adjustments for inflation. The tolerance level for payment errors was $25 with no adjustment for inflation between 2000 and 2008, but the 2009 Recovery Act temporarily increased it to $50 -- a level that the USDA made permanent, by regulation, in 2011; and

- Eliminates the USDA Secretary's authority to waive a SNAP quality control fiscal penalty which, otherwise, would be imposed on a state.

We will continue to keep you advised.

WTF:RA
MR:MT:ma

c: All Department Heads
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